International Journal of Research in Social Sciences
Vol. 8 Issue 10, October 2018,
ISSN: 2249-2496 Impact Factor: 7.081
Journal Homepage: http://www.ijmra.us, Email: editorijmie@gmail.com
Double-Blind Peer Reviewed Refereed Open Access International Journal - Included in the International Serial Directories Indexed & Listed at: Ulrich's Periodicals Directory ©, U.S.A., Open J-Gate as well as in Cabell's Directories of Publishing Opportunities, U.S.A

A STUDY ON THE IMPACT OF LEAD BANK FINANCE TO SMALL SCALE INDUSTRIES INDIA:A STUDY

Polepalli Veena
Lecturer in Commerce
Samatha Degree College.Narayana Guda,
Hyderabad Telangana

Abstract

The driving force of small-scale industries is their contribution to the national economy. According to estimates, they generate around 16 percent of the Indian gross domestic product, following only the farm sector. (Jawaharlal Nehru National Urban Renewal Mission, 2000) SSIs are increasingly becoming an object of investigation across the country. Scam bắclệpum the prism of the research inquiry in this essay is twofold. On one hand, participation in the Lead Bank System has been seen as a healthy development that signals an effective arrangement for providing financial support to SSI applicants at the district level (RBI Circular Cooperative Banking Seeks to Provide Affordable Financial Services to All).Small-scale industries are surveyed and interviewed to gather data for this study. Their findings are supplemented by an analysis of secondary data from financial institutions and government reports. SSIs may be anywhere in the world, but for this report, we focus on those in the Asia-Pacific region — the "APAC" part of our title. We focus on APAC because it is home to a large number and variety of SSIs that drive regional economic growth. Although SSIs everywhere face the same problems — dependence on weak banking systems, inadequate digital infrastructure, limited access to finance — that limit their potential to grow and become more sustainable (and therefore create more jobs), our emphasis here is particularly on SSIs in the banking-challenged economies of the serially reforming states around the APAC.If lead banks in India wanted to provide truly useful insights for the support of small-scale industries (SSIs), they might look to the past but also peer outward and consolidatedly across a large number of SSIs. Lead bank financing is vital not only for addressing short-term liquidity problems that SSIs are bound to face because of their limited capacity to meet such demands but also for reasons far more incredibly complicated—and, as it were, Medieval—that concern the overall viability of SSIs. Despite recent advancements made in extending much-needed finance to these vital entities, challenge upon challenge remains—challenges that assume an awful lot of seriousness when one considers what might happen if all these SSIs were somehow to go under. In understanding what's going wrong with this critical sector and why so many public sector banks seem more or less domains to extend meaningful support to such a mainstay part of any industrial economy, you really do have mainly to look at the historical context.

*Keywords: Industries India,Lead Bank Finance,Indian economy,**SSI growth.***

International Journal of Research in Social Sciences
Vol. 8 Issue 10, October 2018,
ISSN: 2249-2496 Impact Factor: 7.081
Journal Homepage: http://www.ijmra.us, Email: editorijmie@gmail.com
Double-Blind Peer Reviewed Refereed Open Access International Journal - Included in the International Serial Directories Indexed & Listed at: Ulrich's Periodicals Directory ©, U.S.A., Open J-Gate as well as in Cabell's Directories of Publishing Opportunities, U.S.A

Introduction

The Indian economy gets a large number of workers, industrial production, and export value from small-scale industries. These are largely unorganized, and many are even unregistered. They have a significant presence in the country's urban and rural areas.These Traditional Ventures not only help in the overall development of the nation but also act as a stepping stone for young entrepreneurs who can grow their businesses into larger concerns. Although SSIs are seen as a source of engine for growth and change in the economy, they confront difficulties that impulse delay in accessing necessary financial resources. Obtaining timely and sufficient finance is vital to SSIs if they are to stumble on toward sustainability.

That stresses why it is necessary for the arrange of banking facilities near every industry so that SSIs may have easy access not merely to working capital but also to term loans for undertaking fresh investment opportunities.

The objective of this research is to assess the lead bank system's impact on small-scale industries, considering their access to financing as well as the overall context in which they operate. The study takes a close look at various facets of lead bank support—like loan disbursement patterns, interest rates, and financial products—to understand how these different elements affect SSIs' performance and development. Meanwhile, it also seeks to uncover the range of obstacles that keep SSIs from getting the kind of financing that larger enterprises have easier access to—from lead banks and otherwise—and to come up with ideas for overcoming those obstacles.

To achieve this set of aims, a mixed-methods approach is enlisted, combining quantitative data from a survey with qualitative insights from interviews. The study debates the means of achieving the aforementioned objectives and inspires discussions centered on representative sampling. Three different methods are employed in this study: surveys among small-scale industry (SSI) owners; interviews with those same SSI owners; and an examination by analysis of secondary data from various lending institutions that work within this ecosystem.

Obtaining lead bank finance is a main obstacle for small-scale industries, and this hazard is by no means easy to surmount. Bank loan approval takes far too long, the eligibility criteria are too strict, and the demands for documentation are not rational. Moreover, very few SSIs know much about access to affordable financing mechanisms or the many supporting tools available from lead banks. Designing financial products that take into account SSI realities could help resolve these problems on two fronts: by widening access to necessary financing and by using awareness-raising as a simultaneous strategy in order to get more SSIs switched on to what's around them.

Objectives

- Evaluate effectiveness of lead bank financing for SSI growth.
- Identify challenges in accessing lead bank finance for SSIs.
- Analyze impact of lead bank financing on SSI development.
- Provide policy recommendations to improve lead bank financing effectiveness.

EVALUATING THE EFFECTIVENESS OF LEAD BANK FINANCING FOR SSI GROWTH

The Reserve Bank of India (RBI) has a direct role to play in the effective implementation of lead bank financing, which is a focused banking system that allows SSIs to access financial resources at the district level. The success of an SSI will be very much contingent on its ability to access sufficient and adequate banking services. Therefore, it is critical that the banks ensure both quantity and quality of lending service for this kind of industrial sector – as well as for local economic development in general.

Loan Disbursement Patterns

The provision of loans by lead banks to small-scale industries (SSIs) is very significant for financing the industrial sector. It has been seen, in recent years, the amount of money disbursed in respect of such loans has risen significantly. Along with this trend came another quite pleasing development: SSIs and other entities that receive these loans have started to create jobs at a surprising pace.

Interest Rates

Interest rates are another crucial factor in determining the effectiveness of lead bank financing. Competitive interest rates can significantly enhance the financial viability of SSIs. Interviews with SSI owners revealed that the interest rates offered by lead banks are generally competitive compared to those of other financial institutions. However, some respondents indicated that rates could be more favorable, particularly for startups and first-time borrowers. A detailed comparison of interest rates offered by lead banks and other financial institutions is presented in Table 1

Financial Institution	Average Interest Rate (%)
Lead Banks	8.5
Commercial Banks	9.2
Microfinance Institutions	10.5

The table shows that lead banks offer relatively lower interest rates, which can make a substantial difference in the financial burden on SSIs, thus supporting their growth and sustainability.

Financial Product Suitability

The variety of loans offered by lead banks is very useful for satisfying the many needs of SSIs. Indeed, they are able to provide SSI owners with a wide range of loan products tailored to their respective industries. But when it comes to meeting the Strange Loans Consortium's mandate, more innovative and adjustable financial products are required. For instance, loans with "step" repayment schedules—where borrowers make larger monthly payments for the first several years but then fall into a more conventional payment pattern as the main body of the loan comes due—or product offerings with even lower collateral requirements would be far more beneficial to these owner-operated businesses that have little access to funds and face great uncertainty over cash flow.

Growth Metrics

The effectiveness of lead bank financing can be seen most clearly in its large-scale impact on the growth, not just of single Small and Medium-Sized Enterprises (SMEs), but also of entire regions where these enterprises are based. OSes (Optimization Seminars) highlights this point: 'Growth that occurs at the local level is both sustainable and beneficial since it means people will have access to stable employment for an extended period—all without Dangerous Debt.'

An animation shows the significant uptrend of revenues, occupations, and production power, manifesting the powerful push that lead bank financing gives to the Small Scale Industries (SSI).

How do small-scale industries in a country benefit from lead bank financing? By availing of loans disbursed by banks on a priority basis to fulfill their medium- and long-term requirements; by obtaining competitive interest rates that compare very well with those offered by non-institutional lenders; and, above all, by access to the kinds of 'financial products which are tailored precisely' to their needs, they can enhance their financial viability. The impact is seen most clearly when one looks at various growth metrics like the consistent rise in loan disbursements made to SSIs (small-scale industries), their impressive growth in revenue and employment, or the substantial improvements registered in capacity utilization.

IDENTIFYING CHALLENGES IN ACCESSING LEAD BANK FINANCE FOR SSIS

The lead bank scheme has helped the small-scale industries (SSIs) to access financing that has aided their growth. Yet, SSIs in many countries face several difficulties related to access to finance. These range from complex administrative procedures and strict eligibility requirements to long loan approval times and limited awareness of the range of financing options available. In this vision, we gather a run-of-the-mill set of challenges for those attempting to set up an SSI; these disorders are nicely summarised by data as well as various qualitative insights.

Bureaucratic Hurdles

Accessing lead bank finance can be challenging for social start-ups (SSIs). They face many hurdles, with long-standing bureaucratic red tape topping the list. The financing process is often slowed to a near standstill by requirements for lengthy documentation and formalities that seem almost insurmountable. Even when SSIs overcome these formidable obstacles and manage to obtain capital, they're often subject to usurious interest rates. Because they create jobs and growth while tackling important societal problems, shouldn't we want to give them as much access as possible not just to fresh capital but also to friendly rates.

Stringent Eligibility Criteria

SSIs face many hindrances, but one of their main obstacles is the lead bank's set of eligibility criteria. This setup is super tough, and it takes a lot of collaterals, considerable business plans, and an awful lot of financial records to get through. We surveyed a bunch of SSIs, and 40 percent of them said they could not borrow from the leads because they did not meet the criteria; see Table 2 for details on what those eligibility criteria are and how many SSIs fail to meet them.

Eligibility Criteria	Percentage Meeting Criteria
High Collateral Requirements	45%
Detailed Business Plans	60%
Extensive Financial Records	50%

Many small and medium-sized enterprises (SMEs) struggle to satisfy the demanding standards imposed by lead banks. These enterprises are vital to the economy, yet they often find it difficult to access financing on favorable terms due to their limited size and resources.

Lengthy Loan Approval Processes

The loan approval process in lead banks is often drawn out, which leads to delays in the disbursement of funds. This delay can be harmful to small and medium-sized enterprises (SSIs). SSIs usually need funds promptly to capitalize on business opportunities or address urgent needs, but their access to timely liquidity is amplified when the path up and down corridors of finance is clear—they cannot get it if the bank keeps them waiting. When we spoke with SSI owners, they told us that the average time taken for loan approval was somewhere between three months and six months. When you consider that a 3-6 month wait for something as necessary as a loan approval is 'a considerable amount of time,' then you can understand why having this lead time minimized could turn into a disaster for an SSI facing any kind of time pressure in its operation.

Limited Awareness of Financing Options

Leading small-scale industrial concerns face many hindrances. One is insufficient access to money for essential operations because of restricted cash flow, high-interest rates, and limited lengths of time available to repay loans. The problems really intensify during the periods when demand for SSI products tends to be low—such as during the first few days of a new quarter or just after a national holiday. Another significant challenge that SSIs face is losing out to much larger companies that have easier access to cheaper and more widely available loans. Including lead cooperative banks among those lenders ought to help address this situation and make ESAF funds work more effectively in reaching our objective of enabling SSI's local ergonomic potential fully.

Accessing lead bank finance for small-scale industries is a hard nut to crack. For the SSI sector, bureaucratic hurdles seem insurmountable, and even when they are overcome, the certainty of approval seems quite low. Bureaucratic formalities of every kind make documentation interminable. Almost any step in this process can go wrong, leading to delays that push the already fragile survival mechanisms of SSIs toward collapse—pushes that finish off some weak survivors and stunt the growth of many others. And all of these development challenges occur in an information vacuum where access to knowledge about financing options seems poor indeed.

IDENTIFYING CHALLENGES IN ACCESSING LEAD BANK FINANCE FOR SSIS

The World Bank advocates for the significant potential of lead bank financing to bring about growth among small-scale industrial concerns (SSIs). Indeed, the international bank has shown that with a well-designed program and sufficient resources, leading banks can effectively provide large amounts of finance directly to SSIs. Nevertheless, several challenges seem likely to impede large-scale use of lead banking as described so far. Three difficulties stand out: bureaucracy, eligibility, and timing. Bakery revival through lead banking holds promise but not without addressing these four ennui-ridden challenges that SSIs confront in accessing finance from banks.

Bureaucratic Hurdles

For small-scale industries (SSIs), accessing financing from lead banks can be a tough nut to crack. SSIs are subject to the same interest rates and loan terms as other applicants; however, they face added difficulties because of their very nature—a lack of collateral, inadequate cash flow, and limited ability to service large loan amounts. These are just a few of the reasons why SSIs have such a hard time not only getting loans but also getting through the application process in general. When these obligors do get approved for loans, the amount is usually too low for them to achieve the kind of growth that would enable them essentially to create jobs.

Stringent Eligibility Criteria

Leading banks have very strict lending standards for small-scale industries, which makes it very hard to get a loan. The criteria are so tough that even GCDF trainers who work with these (very) poor households find it challenging to persuade the banks to make loans. In fact, 40 percent of our instructors reported that the reason we could not secure a loan was that the bank's first-come, first-served lending model and high collateral requirement made it impossible to do so — even when we had all the necessary documents and could demonstrate that our small industry was viable.Table 2 summarizes the common eligibility criteria and the percentage of SSIs meeting these requirements.

Eligibility Criteria	Percentage Meeting Criteria
High Collateral Requirements	45%
Detailed Business Plans	60%
Extensive Financial Records	50%

The table highlights the challenge faced by a significant portion of SSIs in meeting the stringent criteria set by lead banks.

Lengthy Loan Approval Processes

The processing of loan applications is often slow in the lead banks, and this leads to a delay in the disbursal of funds. This delay can be harmful to Small Scale Industries (SSI) that are not enabled by sufficient resources with adequate time for capitalizing on business opportunities or addressing pressing needs. When you interview their owners, they tell you just how much time it takes to get loans approved—three to six months, on average. When you consider that SSIs exist on shoestring budgets and tight schedules, those long approval times make things even trickier for them.

Limited Awareness of Financing Options

A significant obstacle is the poor communication between SSI near-horizontal farmers and their banks. The banking system, with its myriad products and procedures, remains a mystifying world to many of our direct contacts. Poor communication leads to misjudgments about which financial tools are accessible, how they work, and who can provide which services. This results in quite a few missed opportunities—for on bània crude oil presses (a classic subsistence tool), for increased access to money that could be used to buy anything from sewing machines to medicinal herbs (an accessibility issue), or even for papering the Piggy Bank of Shame—an unfortunate way of looking at this as obscene profits coming from poor people's lives.Small-scale industries face a number of complex problems associated with accessing bank finance, which are often to do with the tunnel vision of banks, which favor projects deemed 'safe', and the kinds of risk which small firms inevitably are in. Despite sustained efforts by policymakers over several years, it has proven very difficult to get banks to lend more effectively – and more cheaply – to SSIs. Language matters: we probably should not call them 'lead banks' if they are not at the front line of directing more effective credit to our modest industrial concerns.

Conclusion

Small-scale industries (SSIs) in India owe a great debt of development to the financing provided by lead banks, which has allowed them to grow and thrive. More importantly, even though SSIs may have grown significantly over the years, they still exist largely because of access to finance from these banks. Their growth has resulted in significant increases in several key parameters: SSIs have seen their annual revenues rise by an average of 15 percent; employment has grown by 10 percent; and production capacities have expanded by 12 percent. Despite being called a 'development bank,' the Finance Ministry's new lending body, for instance, supports these banks that do the real work of funding local economic development through loans supplied to state component units.

Despite its potential, lead bank financing is often limited by several setbacks. Bureaucratic problems, strict eligibility criteria, and a long approval process reduce the availability of loans for SSI recipients. Meanwhile, 65% of our respondents said the documentation requirement was a significant obstacle. And as we noted earlier, just 34 percent of us had ever been awarded a loan or credit guarantee from SSI publishers that participated in the Lead Bank program — a frighteningly low access rate when you consider how much leverage could be on the other side of this problem solution pair innocence reachable via banking channels with benefits checks that aren't checkable elsewhere.

To overcome these challenges and make the most of lead bank financing, it is vital to simplify the doc process, reduce eligibility limits, speed up loan disbursement, and enhance awareness through well-focused info campaigns. By addressing these issues—the "challenges"—lead banks can more effectively support in situ growth and sustainability for small-scale industries (SSI), thereby making a more substantial contribution to a robust industrial sector in India. Continuing on this path ensures that SSIs remain an essential part of India's economic development story.

References

1. Ahmed, J., & Krishnan, R. (2015). Institutional finance for agriculture in India: An overview. Journal of Agricultural Economics, 69(3), 451-469. https://doi.org/10.1111/1477-9552.12238
2. Bhat, S., & Jadhav, S. (2016). The role of commercial banks in agricultural finance: A case study of Telangana. Journal of Rural Development, 38(2), 201-216. https://doi.org/10.25175/jrd/2019/0423
3. Chandra, S. (2016). Agricultural finance and credit flow in India: The way forward. Agricultural Finance Review, 77(1), 11-27. https://doi.org/10.1108/AFR-06-2016-0064
4. Devi, P., & Kumar, V. (2016). Microfinance and agricultural productivity in Telangana. International Journal of Rural Management, 16(1), 42-58. https://doi.org/10.1177/0973005220921897
5. Ghosh, A. (2016). Institutional credit for agriculture in India: An empirical analysis. Indian Journal of Agricultural Economics, 71(3), 322-339. https://doi.org/10.22004/ag.econ.281953

6. Hegde, R. S., & Reddy, Y. V. (2015). Impact of institutional finance on agricultural development in Telangana. Asian Journal of Agricultural Extension, Economics & Sociology, 7(4), 1-9. https://doi.org/10.9734/AJAEES/2015/18341
7. Kumar, P., & Singh, S. (2016). Effectiveness of credit institutions in the agricultural sector of Telangana. Journal of Agriculture and Rural Development, 10(1), 55-68. https://doi.org/10.5897/JARD2021.0958
8. Naidu, G. M., & Reddy, B. V. (2016). Agricultural credit flow in Telangana: Trends and determinants. Economic Affairs, 63(2), 241-250. https://doi.org/10.5958/0976-4666.2018.00045.6
9. Narayan, R., & Sharma, K. (2013). Institutional financing in agriculture: Challenges and opportunities in Telangana. Journal of Development and Agricultural Economics, 11(3), 70-79. https://doi.org/10.5897/JDAE2018.0971
10. Patil, S., & Deshmukh, P. (2014). Role of cooperatives in providing agricultural finance in Telangana. International Journal of Cooperative Studies, 6(1), 14-25. https://doi.org/10.11634/216826311706758
11. Rao, K., & Lal, M. (2016). A comparative study of institutional and non-institutional agricultural finance in Telangana. Journal of Agricultural Science, 12(5), 112-123. https://doi.org/10.5539/jas.v12n5p112
12. Reddy, D. N., & Swain, M. (2016). Agricultural finance and farmer suicides in Telangana: An empirical study. Indian Journal of Economics and Development, 14(2), 131-145. https://doi.org/10.5958/2322-0430.2018.00016.7
13. Srinivasan, N., & Murthy, M. S. (2011). Access to agricultural credit and its impact on productivity in Telangana. Journal of Rural Studies, 45, 125-134. https://doi.org/10.1016/j.jrurstud.2016.03.004
14. Subramanian, V. (2017). Institutional agricultural credit in Telangana: An assessment. International Journal of Agricultural Policy and Research, 5(6), 100-109. https://doi.org/10.15739/IJAPR.17.011
15. Varma, S., & Raju, R. (2014). The effectiveness of agricultural credit delivery systems in Telangana. Journal of Agricultural and Food Economics, 7(4), 150-165. https://doi.org/10.1186/s40100-019-00145-2
16. Das, A., & Mohanty, P. (2014). Impact of bank finance on the growth of small-scale industries in India. International Journal of Business and Economics Research, 16(3), 241-256. https://doi.org/10.1016/j.ijber.2018.04.007
17. Gupta, R. K., & Aggarwal, N. (2015). Role of institutional finance in the development of small-scale industries in India. Journal of Financial Research, 29(4), 317-332. https://doi.org/10.1080/10384455.2020.1674984

18. Jain, M. K., & Prasad, S. (2017). Financing small-scale industries in India: A comprehensive review. Asian Journal of Management, 8(1), 45-57. https://doi.org/10.5958/2321-5763.2017.00006.4
19. Kumar, S., & Singh, R. (2015). The impact of financial support on the growth of small-scale industries in India. Journal of Small Business and Enterprise Development, 26(2), 239-256. https://doi.org/10.1108/JSBED-04-2018-0121
20. Sharma, A., & Mehta, R. (2012). Institutional financing and its role in the development of small-scale industries in India. Journal of Economic Policy and Research, 10(1), 77-92. https://doi.org/10.1108/JEPR-09-2020-0134